



**Prosperous Printing Company Limited**  
**萬里印刷有限公司**

(incorporated in Hong Kong with limited liability)

Stock Code: 8385



2021

INTERIM REPORT

## **CHARACTERISTICS OF GEM (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “**Directors**”) of Prosperous Printing Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) on the “**Latest Listed Company Information**” page for at least 7 days from the date of publication and on the website of the Company at [www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk).



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Lam Sam Ming (*Chairman*)  
Ms. Yao Yuan  
Ms. Chan Sau Po

### Independent non-executive Directors

Ms. Cheung Yin  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

## AUDIT COMMITTEE

Ms. Cheung Yin (*Chairman*)  
Mr. Wong Hei Chiu  
Mr. Leung Vincent Gar-Gene

## REMUNERATION COMMITTEE

Mr. Wong Hei Chiu (*Chairman*)  
Ms. Cheung Yin  
Mr. Lam Sam Ming

## NOMINATION COMMITTEE

Mr. Lam Sam Ming (*Chairman*)  
Mr. Wong Hei Chiu  
Ms. Cheung Yin

## RISK MANAGEMENT COMMITTEE

Mr. Lam Sam Ming (*Chairman*)  
Ms. Chan Sau Po  
Ms. Yao Yuan

## COMPANY SECRETARY

Mr. Chen Kun (*Solicitor of HKSAR*)

## AUTHORISED REPRESENTATIVES

Mr. Lam Sam Ming  
Ms. Chan Sau Po

## COMPLIANCE OFFICER

Ms. Chan Sau Po

## REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Yip Cheung Centre  
10 Fung Yip Street  
Chai Wan  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

## AUDITOR

Crowe (HK) CPA Limited  
9/F Leighton Centre  
77 Leighton Road  
Causeway Bay  
Hong Kong

## COMPANY'S WEBSITE

[www.prosperous-printing-group.com.hk](http://www.prosperous-printing-group.com.hk)

## STOCK CODE

8385



# HIGHLIGHTS

## HIGHLIGHTS

- The revenue of the Group was approximately HK\$138.6 million for the six months ended 30 June 2021 representing a decrease of approximately 15.8% from approximately HK\$164.6 million for the same period ended 30 June 2020. Such decrease was mainly due to decrease of sales order due to COVID-19 and overall global economy uncertainty.
- The gross profit was approximately HK\$21.5 million for the six months ended 30 June 2021, representing a decrease of approximately 50.7% as compared to HK\$43.6 million for the six months ended 30 June 2020 primarily due to the decrease in the sales order due to COVID-19 and overall global economy uncertainty and a decrease in gross profit margin mainly attributable to the aggressive pricing strategy in the challenging business environment during the period.
- The loss for the period was approximately HK\$6.6 million for the six months ended 30 June 2021, as compared to the net loss of approximately HK\$0.5 million recorded for the same period ended 30 June 2020, which was mainly due to decrease in sales order as a result of COVID-19 and overall global economy uncertainty and a decrease in gross profit margin mainly attributable to the aggressive pricing strategy in the challenging business environment during the period.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the same period ended 30 June 2020: nil).

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (together with the comparative unaudited figures for the corresponding period in 2020) as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
	Note	<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	4	<b>138,613</b>	164,587
Cost of sales		<b>(117,094)</b>	(120,975)
<b>Gross profit</b>		<b>21,519</b>	43,612
Other income	5	<b>13,494</b>	6,430
Distribution costs		<b>(10,382)</b>	(10,492)
Administration expenses		<b>(27,675)</b>	(29,706)
Other operating expenses		<b>—</b>	(5,400)
<b>(Loss)/profit from operations</b>		<b>(3,044)</b>	4,444
Finance costs		<b>(3,112)</b>	(3,930)
<b>(Loss)/profit before taxation</b>		<b>(6,156)</b>	514
Income tax	6	<b>(471)</b>	(1,040)
<b>Loss for the period</b>		<b>(6,627)</b>	(526)
<b>Other comprehensive income/(expense) for the period, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>1,367</b>	(3,113)
<b>Total comprehensive expense for the period</b>		<b>(5,260)</b>	(3,639)
Loss per share:		<b>HK Cents</b>	HK Cents
Basic and diluted	7	<b>(0.83)</b>	(0.07)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>211,422</b>	219,066
Intangible assets		<b>496</b>	550
Financial assets at fair value through profit or loss		<b>2,621</b>	2,577
Investments in key management insurance policies		<b>18,092</b>	8,619
Deposits for acquisition of property, plant and equipment		<b>—</b>	1,433
Deferred tax assets		<b>2,202</b>	2,197
		<b>234,833</b>	234,442
<b>Current assets</b>			
Inventories		<b>51,322</b>	50,597
Trade and other receivables	10	<b>191,172</b>	163,093
Pledged bank deposits		<b>5,183</b>	9,126
Cash and cash equivalents		<b>9,559</b>	1,551
		<b>257,236</b>	224,367
Assets held for sale		<b>—</b>	12,546
		<b>257,236</b>	236,913
<b>Total assets</b>		<b>492,069</b>	471,355
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>100,843</b>	100,843
Reserves		<b>102,244</b>	107,504
<b>Total equity</b>		<b>203,087</b>	208,347

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank loans		<b>21,854</b>	20,053
Lease liabilities		<b>2,519</b>	5,311
Deferred tax liabilities		<b>7,985</b>	7,985
		<b>32,358</b>	33,349
<b>Current liabilities</b>			
Trade and other payables	11	<b>85,686</b>	50,238
Bank loans and overdrafts		<b>148,489</b>	159,578
Lease liabilities		<b>18,644</b>	15,208
Tax payable		<b>3,805</b>	4,635
		<b>256,624</b>	229,659
<b>Total liabilities</b>		<b>288,982</b>	263,008
<b>Total equity and liabilities</b>		<b>492,069</b>	471,355

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2020</b>	100,843	(13,415)	3,318	208,946	299,692
<b>Changes in equity for the six months ended 30 June 2020:</b>					
Loss for the period	—	—	—	(526)	(526)
Other comprehensive expense for the period	—	(3,113)	—	—	(3,113)
<b>Balance at 30 June 2020 (unaudited)</b>	100,843	(16,528)	3,318	208,420	296,053
<b>Balance at 1 January 2021</b>	100,843	(3,936)	3,318	108,122	208,347
<b>Changes in equity for the six months ended 30 June 2021:</b>					
Loss for the period	—	—	—	(6,627)	(6,627)
Other comprehensive income for the period	—	1,367	—	—	1,367
<b>Balance at 30 June 2021 (unaudited)</b>	100,843	(2,569)	3,318	101,495	203,087

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
		(Unaudited)
<b>Net cash from/(used in) operating activities</b>	<b>9,777</b>	<b>(18,886)</b>
<b>Investing activities</b>		
Payments for purchase of property, plant and equipment	(522)	(114)
Proceeds from disposal of property, plant and equipment	13,502	—
Decrease in pledged bank deposits	3,943	26
Payment of investments in Key management insurance policy	(9,473)	—
Interest received	201	160
<b>Net cash from investing activities</b>	<b>7,651</b>	<b>72</b>
<b>Financing activities</b>		
Proceeds from new bank loans	170,736	231,144
Repayment of bank loans	(162,486)	(221,549)
Capital element of lease rentals paid	(303)	(1,072)
Interest element of lease rentals paid	(452)	(675)
Bank interest paid	(2,660)	(3,254)
<b>Net cash from financing activities</b>	<b>4,835</b>	<b>4,594</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,263</b>	<b>(14,220)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>(13,911)</b>	<b>13,486</b>
<b>Cash and cash equivalents at 30 June</b>	<b>8,352</b>	<b>(734)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Prosperous Printing Company Limited (the “**Company**”) was incorporated in Hong Kong on 23 December 1992 with limited liability under the Hong Kong Companies Ordinance. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2017.

The address of the Company’s registered office is 3/F., Yip Cheung Centre, 10 Fung Yip Street, Chai Wan, Hong Kong.

The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the production and trading of books and paper products.

## 2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the GEM Listing Rules, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules. It was authorised for issue on 13 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company’s audit committee.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; included a paragraph of material uncertainty related to going concern without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern basis

In determining the appropriate basis of the preparation of the interim financial report, the directors of the Company are required to consider whether the Group could continue in operational existence for the foreseeable future. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as and when they fall due, and its ability to obtain adequate external financing to meet its future capital expenditures. The Group reported a net loss of approximately HK\$6,627,000 for the six months ended 30 June 2021. As at 30 June 2021, the Group has bank loans and overdrafts amounting to approximately HK\$148,489,000, which are due for repayment within twelve months. The Group's pledged bank deposits and cash at bank and on hand amounted to approximately HK\$5,183,000 and HK\$9,559,000, respectively, as at 30 June 2021. The Group will be unable to fund the Group's operating activities and repay the bank loans and overdrafts in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing bank borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- (i) the Group will continue to pay close attention to its operations and make good use of its resources with an aim to attain positive and sustainable cash flow from operations;
- (ii) the Group is putting extra efforts on collecting its trade and other receivables;
- (iii) the Group is seeking for opportunities to dispose certain of the Group's properties;
- (iv) the Group is in discussions with its bankers to timely renew or extend its existing banking facilities; and
- (v) the Group will actively and regularly review its capital structure and source additional capital by raising new debt financing, issuing new shares or selling the Group's properties, where appropriate.

The directors of the Company have reviewed the Group's cash flow projection covering a period of twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the interim financial report has been prepared on a going concern basis.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

Revenue represents the amounts received and receivable from sales of books and paper products and provision of sub-contracting services, which are recognised at a point in time.

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
Revenue arising from sales of books and paper products	134,081	158,539
Revenue arising from provision of sub-contracting services	4,532	6,048
	<b>138,613</b>	164,587

Disaggregation of revenue from contracts with customers by geographical areas is disclosed in Note 4(b).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. REVENUE AND SEGMENT REPORTING (CONTINUED)

### (b) Segment reporting

HKFRS 8 “Operating Segments” requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Company’s executive directors, being the Group’s chief operating decision makers (“CODM”), for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the production and sale of books and paper products.

### (i) Information about geographical areas

The following table sets out information about the geographical location of the Group’s revenue from external customers. The geographical location of customers is based on the location of external customers.

	Six months ended 30 June	
	2021	2020
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	68,718	86,077
Mainland China	4,533	6,048
United States	64,347	71,241
United Kingdom	554	924
Other countries	461	297
	<b>138,613</b>	<b>164,587</b>

Revenue from the individual countries included in other countries is not significant.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5. OTHER INCOME

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Bank interest income	201	160
Profit arising from sales of scrap materials	1,402	880
Government grants — PRC government subsidies	513	3,088
Gain on disposal of property, plant and machine and equipment	7,061	—
Net foreign exchange (loss)/gain	(945)	(26)
Rental machine income	1,560	—
Rental income	2,810	—
HKSAR — Employment support scheme 2020	—	1,760
Sundry income	892	568
	<b>13,494</b>	<b>6,430</b>

## 6. INCOME TAX

	Six months ended 30 June 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	471	638
<b>Current tax — PRC Corporate Income Tax</b>		
Provision for the year	—	946
<b>Deferred tax</b>	—	(544)
	<b>471</b>	<b>1,040</b>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

The provision for the PRC Corporate Income Tax of the subsidiary established in the PRC is calculated at 25% of the estimated taxable profits for the reporting period.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any income tax in the jurisdiction.

For the six months ended 30 June 2021 and 2020, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$6,627,000 (six months ended 30 June 2020: loss of HK\$526,000) and the weighted average of 800,000,000 (six months ended 30 June 2020: 800,000,000) ordinary shares of the Company in issue during the interim period.

### (b) Diluted loss per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2021 and 2020, and therefore, diluted loss per share is the same as the basic loss per share.

## 8. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of office premises and factory plant, and therefore recognised the additions to right-of-use assets of approximately HK\$660,000.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, properties with carrying amount of HK\$6,441,000 were disposed resulted in a gain on disposal of HK\$7,061,000. During the six months ended 30 June 2020, no material items of property, plant and equipment were acquired or disposed by the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10. TRADE AND OTHER RECEIVABLES

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade receivables	<b>197,833</b>	169,774
Less: loss allowance	<b>(24,447)</b>	(24,447)
Trade receivable, net of loss allowance	<b>173,386</b>	145,327
Other receivables	<b>876</b>	986
Advance to a supplier	<b>9,260</b>	10,400
Financial assets measured at amortised cost	<b>183,522</b>	156,713
Prepayments	<b>528</b>	583
Utility and other deposits	<b>4,261</b>	3,141
Other tax recoverable	<b>2,861</b>	2,656
	<b>191,172</b>	163,093

An ageing analysis of the trade receivables as at the end of the reporting period based on the invoice date and net of loss allowance, is as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 1 month	<b>25,944</b>	10,151
1 to 3 months	<b>25,275</b>	10,616
3 to 6 months	<b>12,341</b>	15,921
6 to 12 months	<b>32,469</b>	46,066
Over 1 year	<b>77,357</b>	62,573
	<b>173,386</b>	145,327

Trade receivables are normally due within 180 days from the date of billing.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. TRADE AND OTHER PAYABLES

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade creditors	<b>66,822</b>	20,822
Other payables and accruals	<b>18,864</b>	29,416
	<b>85,686</b>	50,238

An ageing analysis of the trade creditors (which are included in trade and other payables) as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 1 month	<b>13,604</b>	10,866
1 to 3 months	<b>35,502</b>	6,875
3 to 6 months	<b>16,561</b>	2,734
6 to 12 months	<b>233</b>	187
Over 1 year	<b>922</b>	160
	<b>66,822</b>	20,822

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (i) Financial assets and liabilities measured at fair value

#### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements at 30 June 2021 categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Assets:				
— Investment funds in Hong Kong	2,621	2,621	—	—

	Fair value measurements at 31 December 2020 categorised into			
	Fair value HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurements</b>				
Assets:				
— Investment funds in Hong Kong	2,577	2,577	—	—

During the six months ended 30 June 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 12. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### (ii) Fair value of financial assets and liabilities carried at other than fair value

The directors of the Company consider that the carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2021 and 31 December 2020.

## 13. COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report were as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Contracted for:		
— purchase of property, plant and machinery	1,000	4,036

## 14. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a provider of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the United States of America (the “U.S.”), the United Kingdom (the “U.K.”), Australia and Europe (excluding U.K.). The products comprise mainly books and other paper-related products. Paper and ink are the principal raw materials of the Group. The two production sites were the factory in Shenzhen (the “Shenzhen Factory”) and the factory in Hong Kong (the “Hong Kong Factory”). Each of these factories is a self-functioning printing and production arm of the Group, and they share the printing workload allocated by the management. The Group’s revenue decreased by approximately 15.8% from approximately HK\$164.6 million for the six months ended 30 June 2020, to approximately HK\$138.6 million for the six months ended 30 June 2021 due to decrease in sales order due to COVID-19 and overall global economy uncertainty. The Group recorded a loss of approximately HK\$6.6 million during the six months ended 30 June 2021, as compared to a loss of approximately HK\$0.5 million during the six months ended 30 June 2020, which was mainly due to decrease of sales orders due to COVID-19 and overall global economy uncertainty and a decrease in gross profit margin mainly attributable to the aggressive pricing strategy in the challenging business environment during the period.

During the reporting period, the Group sold the Properties, which comprise the Premises and the Carpark, at the aggregate consideration of HK\$13,500,000. For details, please refer to the announcement dated 25 January 2021.

## FUTURE PROSPECTS

Looking forward, there are certain risks that the Group will face in further development such as challenges from the uncertainty of economies by reason of, among others, COVID-19, the U.S.-China trade dispute, an increase in paper cost and technological advancements in publishing and new forms of information dissemination. However, we remain cautiously optimistic of the prospects and believe that the printing market will be sustainable in a steady and healthy way, and intend to continue to build the Group’s competitive strengths so as to increase market share and profitability. To achieve its goal, the Group plans to implement the following business strategies: improving its equipment and the level of automation, expanding customer base and strengthening sales and marketing coverage, and continuing to attract and retain top talent in the industry.

## FINANCIAL REVIEW

### Revenue

The Group generates revenue primarily from the provision of printing products to Hong Kong-based print brokers with customers in overseas markets and to international publishers mainly located in the U.S., U.K., Australia and Europe (excluding U.K.). The revenue decreased by approximately 15.8% from approximately HK\$164.6 million for the six months ended 30 June 2020, to approximately HK\$138.6 million for the six months ended 30 June 2021 due to decrease in sales order due to COVID-19 and overall global economy uncertainty.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Costs of sales

The cost of sales primarily consists of raw materials and consumables, staff costs, sub-contracting fees, depreciation and water and electricity. The cost of sales decreased by approximately 3.2% from approximately HK\$121.0 million for the six months ended 30 June 2020 to approximately HK\$117.1 million for the six months ended 30 June 2021 which is driven by the decrease in revenue.

## Gross profit and gross profit margin

The gross profit was approximately HK\$43.6 million and HK\$21.5 million for the six months ended 30 June 2020 and 2021 respectively. The gross profit margin was 26.5% and 15.5% respectively. The decrease in gross profit was primarily due to the decrease in the sales order due to COVID-19 and overall global economy uncertainty and a decrease in gross profit margin mainly attributable to the aggressive pricing strategy in the challenging business environment during the period.

## Other income

Other income mainly consists of the foreign exchange gain/loss, the profit arising from sale of paper and scrap materials, gain on disposal of property, plant and equipments and income received from government subsidies. The Group recorded other income of approximately HK\$13.5 million during the six months ended 30 June 2021 and HK\$6.4 million during the six months ended 30 June 2020. The increase was due to a gain on disposal of property, plant and equipments of HK\$7.0 million recorded during the six months ended 30 June 2021.

## Other operating expenses

No other operating expenses were recorded for the six months ended 30 June 2021 (2020: HK\$5.4 million).

## Administrative expenses

Administrative expense primarily consists of staff costs and benefits, directors' emoluments and depreciation. The administrative expenses decreased from approximately HK\$29.7 million during the six months ended 30 June 2020 to HK\$27.7 million during the six months ended 30 June 2021 mainly due to decrease in directors' emoluments.

## Finance costs

The Group recorded finance costs of approximately HK\$3.9 million during the six months ended 30 June 2020 and HK\$3.1 million during the six months ended 30 June 2021. The finance costs decrease by approximately 20.5% in the six months ended 30 June 2021 as compared to the same period in 2020. The decrease in finance costs was primarily due to decrease in bank overdrafts.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Income tax

Income tax represents income tax paid or payable by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction the Group operates or domiciles. The Group had no tax payable in other jurisdiction other than Hong Kong and the PRC for the six months ended 30 June 2020 and 2021. The operations in Hong Kong are subject to the two-tiered profits tax rate regime, which the first HK\$2 million of assessable profits of qualifying entity will be taxed at 8.25% and assessable profits above HK\$2 million will be taxed at 16.5%. The operations in the PRC are subject to a corporate income tax rate of 25.0%. The Group recorded income tax of approximately HK\$0.5 million for the six months ended 30 June 2021 and approximately HK\$1.0 million for the six months ended 30 June 2020. The decrease was primarily due to the fact that no PRC tax was incurred during the reporting period.

## Loss for the period

As a result of the foregoing, the six months ended 30 June 2021 recorded loss of approximately HK\$6.6 million as compared to loss of approximately HK\$0.5 million for the six months ended 30 June 2020, which was mainly due to decrease in sales order and a decrease in gross profit margin mainly attributable to the aggressive pricing strategy in the challenging business environment during the period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had net current assets of approximately HK\$0.6 million (as at 31 December 2020: net current assets of approximately HK\$7.3 million), of which the cash and cash equivalents were approximately HK\$9.6 million. The Group's current ratio as at 30 June 2021 is 1.0 (as at 31 December 2020: 1.0). The gearing ratio as at 30 June 2021 was 0.94 (as at 31 December 2020: 0.96) which is calculated on the basis of the Group's total bank loans, overdrafts and lease liabilities over the total equity.

Total bank borrowings, overdrafts and lease liabilities for the Group amounted to approximately HK\$191.5 million as at 30 June 2021 (as at 31 December 2020: approximately HK\$200.2 million). As at 30 June 2021, bank loans and overdrafts in the amounts of approximately HK\$148.5 million within one year while the amounts of approximately HK\$21.9 million are due after one year.

The Group adopts centralized financing and treasury policies in order to ensure the Group funding is utilized efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

## FOREIGN CURRENCY MANAGEMENT

The Group is exposed to currency risk primarily through its sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Renminbi, Great British Pounds and Japanese Yen. The Group has not entered into or transacted any financial instruments for hedging purpose during the six months ended 30 June 2021. The Directors will determine by reference to the currency risk management policies, assess the exposure to foreign exchange risk, consider whether or not and to what extent the Group should enter into similar forward foreign exchange contracts and monitor them in line with the Group's currency risk management policies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHARGE ON GROUP ASSETS

As at 30 June 2021, the bank facilities were secured by bank deposits of the Group, financial assets at fair value through profit or loss, the Group's trade receivables, the Group's property, plant and equipment, the assignment of rental proceeds of the Group's properties situated in Hong Kong, benefits of key management insurance policies and corporate guarantees from the Company and certain subsidiaries. These banking facilities amounted to HK\$176,722,000 (2020: HK\$312,583,000) as at 30 June 2021. These facilities were utilized to the extent of HK\$170,343,000 (2020: HK\$179,631,000) as at 30 June 2021. Pledged bank deposits are approximately HK\$5.2 million as at 30 June 2021 (2020: HK\$9.1 million). As at 30 June 2021, the Group's properties and machinery (as included in plant and equipment) with carrying amounts of HK\$85,931,000 (2020: HK\$99,181,000) and HK\$4,867,000 (2020: HK\$5,123,000), respectively, were pledged as collateral for the Group's banking facilities.

## CAPITAL STRUCTURE

The Company's shares were successfully listed on GEM (the "Listing") on 13 December 2017 (the "Listing Date"). There has been no change in the capital structure of the Group since the Listing Date and up to 30 June 2021.

## CAPITAL EXPENDITURE

The capital expenditure primarily comprised of purchase of property, plant and equipment such as machinery for production. The capital expenditure was funded by net proceeds from the Listing, internal resources, finance leases and bank borrowings during the six months ended 30 June 2021.

The following sets forth the Group's capital expenditure as at the dates indicated:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Property, plant and equipment	<b>211,422</b>	219,066
Intangible assets	<b>496</b>	550
Deposit for acquisition of property, plant and equipment	<b>—</b>	1,433
	<b>211,918</b>	221,049

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

There is no material contingent liabilities.

## COMMITMENTS

The capital commitments outstanding as at 30 June 2021 not provided for in the financial statements were HK\$1.0 million (31 December 2020: HK\$4.0 million).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 513 employees in total (as at 31 December 2020: 669).

The Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

During the six months ended 30 June 2021, except for a disposal of property, as disclosed in the announcement of the Company dated 25 January 2021, the Group does not have any other significant investments, nor any material acquisitions or disposals. As at 30 June 2021, the Group does not have any other future plans for any significant investments or capital assets.

## MATERIAL EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

On 22 July 2021, the Company and 3DPRO (Shanghai) Technology Co., Ltd. entered into a memorandum of joint venture cooperation, representing the parties' intention to jointly invest in and establish a joint venture to engage in the research and development, manufacturing, promotion, and sales and marketing of 3D printing equipment, its consumables and other related products. For details, please refer to the announcement of the Company dated 22 July 2021.

## DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the period ended 30 June 2020: Nil).

## OTHER INFORMATION

### CORPORATE GOVERNANCE PRACTICE

The Board is responsible for performing the corporate governance duties in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules, which includes developing and reviewing the Company’s policies and practices on corporate governance, training and continuous professional development of Directors, and reviewing the Company’s compliance with the code provision in the CG Code and disclosures in this report.

The Company has complied with the principles and applicable code provisions of the CG Code for the six months ended 30 June 2021, except the deviation from CG Code provision A.2.1 as set out below.

#### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lam Sam Ming (“Mr. Lam”) is the chairman and the chief executive officer of the Company. Mr. Lam has over 37 years of experience in the printing industry. Mr. Lam established the Group through L & L Limited in December 1992. Since then he has been in charge of the overall business strategies and operation of the Group. The Directors are of the view that it would be in the Group’s best interest for Mr. Lam to continue performing the two roles in terms of effective management and business development. The Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate.

### CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares (the “Code of Conduct”). Having made specific enquiries to all Directors, each of them has confirmed that he/she has fully complied with the required standard of dealings set out in the Code of Conduct during the six months ended 30 June 2021.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”), the principal terms of which are summarised in the sub-section headed “Appendix V — Statutory and General Information — D. Share Option Scheme” in the prospectus of the Company dated 29 November 2017.

No share option has been granted, exercised, cancelled, lapsed or forfeited under the Scheme during the six months ended 30 June 2021. No share option was outstanding as at 30 June 2021.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the six months ended 30 June 2021.

### DISCLOSURE OF INTERESTS

#### (a) Interests and/or short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

As at 30 June 2021, the Directors had the following interests and/or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were required to be notified to the Company and the Stock Exchange:

##### (i) Interests in the Company

Name of Director	Capacity	Number of shares (Note 1)	Percentage of interest in the Company
Mr. Lam (Notes 2 & 4)	Interest of controlled corporation	480,000,000 (L)	60%
Ms. Yao Yuan (“Ms. Yao”) (Notes 3 & 4)	Interest of spouse	480,000,000 (L)	60%

##### Notes:

1. The letter “L” denotes the person’s long positions in the shares.
2. These 480,000,000 Shares are held by First Tech Inc. (“First Tech”), which is wholly and beneficially owned by Mr. Lam. As such, Mr. Lam is deemed to be interested in these 480,000,000 Shares held by First Tech under the SFO.
3. Ms. Yao is the spouse of Mr. Lam. Under the SFO, Ms. Yao is deemed to be interested in the same number of Shares in which Mr. Lam is interested.
4. The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares (the “Charged Shares”) in the issued share capital of the Company in favour of Infinity Credits Co., Limited (“Infinity”), a third party, as security for a loan granted by Infinity to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at 30 June 2021, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.

## OTHER INFORMATION

### (ii) Interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of shareholding interest
Mr. Lam	First Tech	Beneficial owner	50,000	100%

Save as disclosed above, as at 30 June 2021, none of the Directors had any interests and/or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors.

### (b) Interests and/or short position of substantial shareholders in the Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors, as at 30 June 2021, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 10% or more of the total number of issued shares of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of substantial shareholder	Capacity	Number of shares (Note 1)	Percentage of interest in the Company
First Tech (Notes 2 & 4)	Beneficial owner	480,000,000 (L)	60%
Fine Time (Note 3)	Beneficial owner	120,000,000 (L)	15%
Infinity (Note 5)	Person having security interest in the shares	192,000,000 (L)	24%

Notes:

- The letter "L" denotes the person's long positions in the shares.
- First Tech is a company incorporated in the British Virgin Islands which is wholly and beneficially owned by Mr. Lam, an executive Director.
- For information regarding the shareholding structure of Fine Time, please refer to the sub-section headed "History, Reorganisation and Corporate Structure — Pre-IPO Investment — Information regarding Fine Time" in the prospectus of the Company dated 29 November 2017. Chuang Fu-Yuan is deemed to be interested in 120,000,000 shares of the Company held by Fine Time under SFO.

## OTHER INFORMATION

4. The Company was notified by First Tech, a controlling shareholder (as defined under the GEM Listing Rules) of the Company, that on 12 October 2018, First Tech had executed a charge over its 72,000,000 Shares in the issued share capital of the Company in favour of Infinity as security for a loan granted by Infinity to First Tech. First Tech is wholly owned by Mr. Lam, the chairman and controlling shareholder of the Company. As at 30 June 2021, the Charged Shares represent 9% of the issued share capital of the Company. For further details, please refer to the announcement of the Company dated 12 October 2018.
5. Infinity is wholly owned by Infinity International Holding Limited which is in turn held by Zhao Zhisheng as to 50% and by Cheung Ting Kin as to 50%. Each of Infinity International Holding Limited, Zhao Zhisheng and Cheung Ting Kin is deemed to be interested in 192,000,000 shares of the Company held by Infinity under SFO. As of 30 June 2021, First Tech and Fine Time pledged 9% and 15% issued shares in the Company in favour of Infinity respectively.

Save as disclosed above, so far as is known to the Directors, as at 30 June 2021, there are no other person (not being a Director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were interested in 10% or more of the voting power at general meetings or any other members of the Group.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 15 November 2017 with its written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated financial results of the Group for the six months ended 30 June 2021. The Audit Committee is of the opinion that such financial results comply with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board of  
**Prosperous Printing Company Limited**  
**Lam Sam Ming**  
*Chairman and Executive Director*

Hong Kong, 13 August 2021

*As at the date of this report, the executive Directors are Mr. Lam Sam Ming, Ms. Chan Sau Po and Ms. Yao Yuan; and the independent non-executive Directors are Ms. Cheung Yin, Mr. Wong Hei Chiu and Mr. Leung Vincent Gar-Gene.*